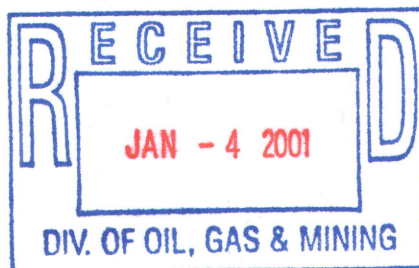
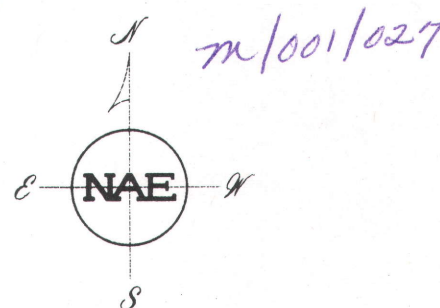


NORTH AMERICAN EXPLORATION, INC.

GEOLOGY GEOPHYSICS GEOCHEMISTRY ENVIRONMENTAL SERVICES



January 3, 2001

Mr. Thomas Munson
Utah Dept. of Natural Resources
Division of Oil, Gas and Mining
P. O. Box 145801
Salt Lake City, Utah 84114

Dear Tom:

We have submitted a permit revision to expand the mine area of the North Pearl Queen Mine, which is located in Beaver County, Utah. This is a perlite mine located on State Mineral Lease 3092 and operated under your Large Mine permit M/001/027. In the course of your review of our application a question came up regarding the timing of mining operations and a required cultural resource survey.

A letter of "conditional final approval" was issued by your office on August 5, 1997. This letter states as condition No. 1:

"Before conducting any additional surface disturbance beyond that which exists under the small mining permit, PQP shall cause to be conducted a formal cultural resources survey by a Utah State Historical Society-Approved Archaeological company.

Through said survey, the new surface areas to be disturbed will have any cultural resource sites of value documented, and if necessary, mitigated further through additional study and/or excavation, in accordance with standard, applicable regulation governing the disturbance of such sites and cultural resources."

The letter goes on to request signs (prior to July 30, 1997) stating there will be "No Further Disturbance" to be posted on the mine boundary. Questions include whether or not additional areas were disturbed prior to a cultural resource survey and the relationship between the original Small Mine Permit and the current Large Mine Permit. Here is my summary of events:

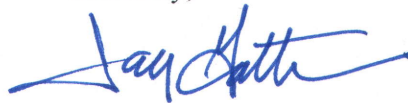
- Small mine permit – I have no information on this but I know work was done as early as 1994 and 1995.
- February 24, 1997 – PQP applies for Large Mine Permit (10 acres).
- April 24, 1997 – Public comment period begins (30 days).
- May 27, 1997 – Letter received by DOGM protesting permit without additional archaeological work..
- June 9, 1997 – DOGM receives Reclamation Contract.
- July 25 – August 16, 1997 – Carl Briscoe Company operates dozer and scraper to remove overburden and topsoil.
- July 30, 1997 – Signs at perimeter posted prior to this date.
- August 4, 1997 – Reclamation Contract effective date. (10 acres).
- August 5, 1997 – Letter from DOGM of conditional final approval.
- August 22 – October 18, 1997 – Carl Briscoe Company completes initial mining and crushing of perlite ore.
- November 1 – December 1, 1997 – Carl Briscoe Company continues to crush ore – no mining.

I have talked with Danny Gatten and we just do not have a clear recollection of the timing of the permitting and the mining operation. We do know that as of July 30, 1997 that over burden and/or topsoil had been removed from a 10 acre area. We also know that we stopped mining, posted signs and to this date have not disturbed any land outside this original 10 acres.

I think we had operated on the basis that we already had a large mine permit. The records show we had submitted a reclamation contract for 10 acres that was received June 9, 1997. I also think we had gone through the public comment period and had received no comment until the last day (maybe after the last day?). We did have a mining contractor on site at the time the permit was issued and we were behind schedule.

We may have misread or misunderstood the letter of conditional approval, but we stopped mining, posted signs and have not disturbed any land outside our 10 acre permit area. We have scheduled an approved archaeological Data Recovery Plan to be completed prior to disturbing additional land.

Sincerely,



O. Jay Gatten

OJG/la

Cc: Correspondence
Project